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南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY CO.,LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1708)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

The total operating income of the Group for the year ended 31 December 2018 (the “Review Period”) amounted to approximately RMB1,834,487,601.95, representing a growth of approximately 6.85% as compared to the corresponding period of last year.

The net profit attributable to shareholders of the parent company for the year ended 31 December 2018 was approximately RMB195,992,114.49, representing a decrease of approximately 11.75% as compared to corresponding period of last year.

The basic earnings per share for the year ended 31 December 2018 was approximately RMB0.25 (2017: RMB0.28).

It is proposed to distribute a final dividend for the year ended 31 December 2018 of RMB0.1 per share.

ANNUAL RESULTS

The board (the “Board”) of Directors of Nanjing Sample Technology Co., Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

(Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi (“RMB”) yuan)

Consolidated balance sheet*At 31 December 2018*

ASSETS	<i>Note</i>	31 December 2018	1 January 2018	31 December 2017
Current assets:				
Cash at bank and on hand		532,958,036.92	763,119,652.92	763,119,652.92
Settlement reserves		—	—	—
Loans to banks and other financial institutions		—	—	—
Held-for-trading financial assets		—	—	—
Financial assets calculated by fair value with its change included in profit and loss of current year		—	—	—
Derivative financial assets		—	—	—
Notes receivable and accounts receivable	3	1,096,589,642.96	538,705,812.14	698,058,878.81
Prepayments	3	424,735,769.16	66,721,485.56	66,721,485.56
Premiums receivable		—	—	—
Reinsurance accounts receivable		—	—	—
Receivables from subcontracting reserves		—	—	—
Other receivables	3	326,498,970.78	467,387,779.28	484,891,213.33
Financial assets held under resale agreements		—	—	—
Inventories		116,839,463.12	109,975,990.57	950,376,110.40
Contract assets		1,074,867,660.48	958,199,524.30	—
Held-for-sale assets		—	—	—
Non-current assets due within one year		52,571,628.84	—	—
Other current assets		31,831,942.89	40,268,878.13	40,268,878.13
Total current assets		<u>3,656,893,115.15</u>	<u>2,944,379,122.90</u>	<u>3,003,436,219.15</u>

ASSETS	<i>Note</i>	31 December 2018	1 January 2018	31 December 2017
Non-current assets:				
Loans and advances		–	–	–
Debt investment		–	–	–
Available-for-sale financial assets		–	–	111,782,201.95
Other debt investment		–	–	–
Held-to-maturity investment		–	–	–
Long-term receivables		–	–	–
Long-term equity investments		43,343,934.94	43,822,612.31	43,822,612.31
Other equity instruments investment		227,319,415.64	7,387,645.05	–
Other non-current financial assets		134,623,072.37	112,330,423.38	–
Investment property		227,503,300.00	219,390,300.00	219,390,300.00
Fixed assets		376,964,307.99	229,877,091.68	229,877,091.68
Construction in progress		6,534,672.42	874,604.36	874,604.36
Productive biological assets		–	–	–
Oil and gas assets		–	–	–
Intangible assets		10,842,557.61	32,884,438.58	32,884,438.58
Development expenditures		–	–	–
Goodwill		–	–	–
Long-term deferred expenses		4,195,163.46	8,152,163.37	8,152,163.37
Deferred income tax assets		48,646,186.13	41,023,388.04	34,054,177.63
Other non-current assets		74,825,893.61	14,434,546.39	1,707,300.00
Total non-current assets		<u>1,154,798,504.17</u>	<u>710,177,213.16</u>	<u>682,544,889.88</u>
TOTAL ASSETS		<u>4,811,691,619.32</u>	<u>3,654,556,336.06</u>	<u>3,685,981,109.03</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	31 December 2018	1 January 2018	31 December 2017
Current liabilities:				
Short-term borrowings		639,300,000.00	345,300,000.00	345,300,000.00
Borrowings from central bank		—	—	—
Loans from banks and other financial institutions		—	—	—
Held-for-trading financial liabilities		—	—	—
Financial liabilities calculated by fair value with its change included in profit and loss of current year		—	—	—
Derivative financial liabilities		—	—	—
Notes payable and accounts payable	4	1,097,320,317.19	914,764,165.52	914,764,165.52
Advances from customers	4	—	—	117,243,847.70
Financial assets sold under repurchase agreements		—	—	—
Deposits from customers and interbank		—	—	—
Receivings from vicariously traded securities		—	—	—
Receivings from vicariously sold securities		—	—	—
Payroll payables		10,242,978.09	6,416,109.99	6,416,109.99
Taxes payable		36,820,446.28	46,577,774.22	46,577,774.22
Other payables	4	66,187,287.15	38,864,895.89	38,864,895.89
Handling charges and commissions payable		—	—	—
Reinsurance accounts payable		—	—	—
Contract liabilities		92,499,959.57	99,407,728.94	—
Held-for-sale liabilities		—	—	—
Non-current liabilities due within 1 year		182,670,000.00	11,250,000.00	11,250,000.00
Other current liabilities		87,291,565.13	24,126,504.77	6,147,751.60
Total current liabilities		<u>2,212,332,553.41</u>	<u>1,486,707,179.33</u>	<u>1,486,564,544.92</u>

LIABILITIES & OWNERS' EQUITY	<i>Note</i>	31 December 2018	1 January 2018	31 December 2017
Non-current liabilities:				
Reserve funds for insurance contracts		—	—	—
Long-term borrowings		472,250,000.00	67,850,000.00	67,850,000.00
Bonds payables		—	—	—
Including: preferred shares		—	—	—
perpetual bond		—	—	—
Long-term payables		—	—	—
Long-term payroll payables		—	—	—
Estimated liabilities		—	—	—
Deferred income		34,318,829.09	37,991,374.17	37,991,374.17
Deferred income tax liabilities		11,798,478.85	10,502,043.81	9,228,730.88
Other non-current liabilities		—	—	—
Total non-current liabilities		<u>518,367,307.94</u>	<u>116,343,417.98</u>	<u>115,070,105.05</u>
Total liabilities		<u>2,730,699,861.35</u>	<u>1,603,050,597.31</u>	<u>1,601,634,649.97</u>
Owners' equity:				
Share capital		792,058,500.00	316,823,400.00	316,823,400.00
Other equity instruments		—	—	—
Including: preferred shares		—	—	—
perpetual bond		—	—	—
Capital reserves		96,793,749.50	445,006,045.54	444,930,544.69
Less: treasury stocks		—	—	—
Other comprehensive income		29,501,087.49	26,791,680.76	27,277,917.91
Special reserves		—	—	—
Surplus reserves		96,626,439.01	85,217,319.96	84,701,819.19
Provision for general risk		—	—	—
Undistributed profits	5	990,758,260.44	1,043,792,815.00	1,076,559,118.85
Total owners' equity attributable to the parent company		2,005,738,036.44	1,917,631,261.26	1,950,292,800.64
Minority interest		75,253,721.53	133,874,477.49	134,053,658.42
Total owners' equity		<u>2,080,991,757.97</u>	<u>2,051,505,738.75</u>	<u>2,084,346,459.06</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>4,811,691,619.32</u>	<u>3,654,556,336.06</u>	<u>3,685,981,109.03</u>

Consolidated income statement

For the year ended 31 December 2018

ITEMS	Note	2018	2017
I. Total operating income		1,834,487,601.95	1,716,862,749.61
Including: Operating income	6	1,834,487,601.95	1,716,862,749.61
Interest income		—	—
Earned premiums		—	—
Income from handling charge and commission		—	—
II. Total operating cost		1,623,310,294.33	1,488,866,353.78
Including: Operating cost	6	1,318,439,374.75	1,254,829,906.97
Interest expenses		—	—
Handling charges and commissions		—	—
Surrender value		—	—
Net payments for insurance claims		—	—
Net provision for insurance liability		—	—
Expenditures for insurance policy dividend		—	—
Reinsurance costs		—	—
Taxes and surcharges		7,634,498.43	7,811,320.82
Selling and distribution expenses		41,886,685.67	43,989,687.42
Administrative expenses		63,670,452.74	57,197,021.19
Research & development expenses		83,519,378.44	71,252,287.76
Financial expenses	9	57,991,496.21	23,627,434.96
Including: Interest expenses		56,776,087.83	30,003,744.20
Interest income		8,097,068.42	6,114,866.26
Asset impairment losses		3,805,844.66	30,158,694.66
Credit impairment losses		46,362,563.43	—
Add: Other income		8,467,340.30	7,199,551.69
Investment income (with “-” for losses)		961,306.91	17,772,419.06
Including: Investment income from associates and joint ventures		-4,420,731.52	-1,413,423.92
Currency exchange gains (with “-” for losses)		—	—
Income from net exposure to hedging (with “-” for losses)		—	—
Gain on fair value change (with “-” for losses)		8,767,392.27	4,139,700.00
Income on disposal of assets (with “-” for losses)		62,859.80	16,793.21

ITEMS	Note	2018	2017
III. Operating profit (with “-” for losses)		229,436,206.90	257,124,859.79
Add: Non-operating income		3,237,224.95	5,443,938.85
Less: Non-operating expenses		3,034,972.86	227,603.74
IV. Total profit (with “-” for total losses)		229,638,458.99	262,341,194.90
Less: Income tax expenses	10	36,942,240.30	45,248,963.45
V. Net profit (with “-” for net losses)		192,696,218.69	217,092,231.45
(I) Classified by business continuity			
1. Net profit from the continuing operations (with “-” for net losses)		192,696,218.69	210,371,660.05
2. Net profit from the discontinued operations (with “-” for net losses)		–	6,720,571.40
(II) Classified by ownership			
1. Net profit attributable to the shareholders of parent company (with “-” for net losses)		195,992,114.49	222,099,125.50
2. Minority shareholder gains and losses (with “-” for net losses)		-3,295,895.80	-5,006,894.05
VI. Net other comprehensive income, net of tax		2,709,406.73	-5,828,239.39
Net other comprehensive income attributable to the owners of parent company, net of tax		2,709,406.73	-5,828,239.39
(I) Other comprehensive income that will not be reclassified to profit or loss		-56,853.24	–
1. Changes of re-measurement of defined benefit plans		–	–
2. Other comprehensive income under equity method that cannot be reclassified into profit and loss		-56,853.24	–
3. Changes in fair value of other equity instruments investment		–	–
4. Changes in fair value of the company’s own credit risk		–	–

ITEMS	Note	2018	2017
(II) Other comprehensive income that will be reclassified to profit and loss		2,766,259.97	-5,828,239.39
1. Other comprehensive income under equity method that can be reclassified into profit and loss		-	-
2. Changes in fair value of other debt investments		-	-
3. Profit and loss from changes in fair value of available-for-sale financial assets		-	-
4. The amount of financial assets reclassified into other comprehensive income		-	-
5. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets		-	-
6. Credit impairment provisions for other debt investment		-	-
7. Reserves for cash flows hedges (Effective portion of profit or loss from cash flows hedges)		-	-
8. Converted difference in foreign currency statements		2,766,259.97	-5,828,239.39
9. Other		-	-
Net other comprehensive income attributable to minority shareholders, net of tax		-	-
VII. Total comprehensive income		195,405,625.42	211,263,992.06
Total comprehensive income attributable to the owner of parent company		198,701,521.22	216,270,886.11
Total comprehensive income attributable to minority shareholders		<u>-3,295,895.80</u>	<u>-5,006,894.05</u>
VIII. Earnings per share:			
(1) Basic earnings per share (yuan/share)	11	0.25	0.28
(2) Diluted earnings per share (yuan/share)		<u>0.25</u>	<u>0.28</u>
IX. Dividend	12	<u>79,205,850.00</u>	<u>47,523,510.00</u>

Notes to the financial statements

For the year ended 31 December 2018

1. GENERAL

南京三寶科技股份有限公司 (Nanjing Sample Technology Co., Limited*) (the “Company”, together with its subsidiaries, the “Group”) was established in the People’s Republic of China (the “PRC”) and was approved to be reorganised into a joint stock limited company on 28 December 2000.

The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 June 2004. On 22 November 2010, the Company’s H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the “Main Board”).

The addresses of the registered office and principal place of business of the Company are located at No. 10 Maqun Avenue, Qixia District, Nanjing City.

The Group is engaged in the information technology application (IT application) service industry. Scope of business of the Company: Computer networks, industrial automation engineering design, installation; electronic products, electronic computer development, manufacture, testing, sale of self-production products, system integration; electronic computer technology consulting and information services; technology testing of electronic products and technical services; computer software development; security engineering design, construction, maintenance; research and development of ITS-based basic information collection technology and equipment. The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent traffic, customs logistics and other application areas.

The reporting currency of the Company is Renminbi (“RMB”). The reporting currency for the overseas businesses is the currency of the place in which they operate.

The currency used by the Group in the preparation of the financial statements is RMB.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred in accordance with the Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance of the People’s Republic of China and the specific accounting standards, application guidelines of Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant provision (collectively “Accounting Standards for Business Enterprises”) and “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports” issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (“Hong Kong Companies Ordinance”) and the following major accounting policies and estimates.

Change in major accounting policies and accounting estimates

(I) Change in major accounting policies

- (1) Implementation of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises” No. 37 – Presentation and Reporting of Financial Instruments (2017 Amendment), “Accounting Standards for Business Enterprises No. 14 – Revenue” (2017 Amendment)

In 2017, the Ministry of Finance of China revised the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of

Financial Instruments”. The above revised standards were implemented from 1 January 2018. According to the standards, for the financial instruments that have not been derecognized on the date of implementation, if the previous recognition and measurement are inconsistent with the revised standards, they shall be retrospectively adjusted. If the comparative figures in financial statements for the prior period are inconsistent with the revised standards, no adjustment is required.

In 2017, the Ministry of Finance of China revised the “Accounting Standards for Business Enterprises No. 14 – Revenue”. The revised standard stipulates that entities at the first implementation of the standards shall adjust the opening balance of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative affected amounts, and the information for the comparable period shall not be adjusted.

Adjustments of the opening balance of the relevant items in financial statements at the beginning of the year in which new financial instrument standards or new income standards were firstly implemented:

Items	Opening balance at the beginning of the year	Closing balance of previous year	Adjusted amount
Notes receivable and accounts receivable	538,705,812.14	698,058,878.81	-159,353,066.67
Other receivables	467,387,779.28	484,891,213.33	-17,503,434.05
Inventories	109,975,990.57	950,376,110.40	-840,400,119.83
Contract assets	958,199,524.30	–	958,199,524.30
Total current assets	2,944,379,122.90	3,003,436,219.15	-59,057,096.25
Available-for-sale financial assets	–	111,782,201.95	-111,782,201.95
Other equity instruments investment	7,387,645.05	–	7,387,645.05
Other non-current financial assets	112,330,423.38	–	112,330,423.38
Deferred income tax assets	41,023,388.04	34,054,177.63	6,969,210.41
Other non-current assets	14,434,546.39	1,707,300.00	12,727,246.39
Total non-current assets	710,177,213.16	682,544,889.88	27,632,323.28
Total assets	3,654,556,336.06	3,685,981,109.03	-31,424,772.97
Advances from customers	–	117,243,847.70	-117,243,847.70
Contract liabilities	99,407,728.94	–	99,407,728.94
Other current liabilities	24,126,504.77	6,147,751.60	17,978,753.17
Total current liabilities	1,486,707,179.33	1,486,564,544.92	142,634.41
Deferred income tax liabilities	10,502,043.81	9,228,730.88	1,273,312.93
Total non-current liabilities	116,343,417.98	115,070,105.05	1,273,312.93
Total liabilities	1,603,050,597.31	1,601,634,649.97	1,415,947.34
Capital reserves	445,006,045.54	444,930,544.69	75,500.85
Other comprehensive income	26,791,680.76	27,277,917.91	-486,237.15
Surplus reserves	85,217,319.96	84,701,819.19	515,500.77
Undistributed profits	1,043,792,815.00	1,076,559,118.85	-32,766,303.85
Total owners’ equity attributable to the parent company	1,917,631,261.26	1,950,292,800.64	-32,661,539.38
Minority interest	133,874,477.49	134,053,658.42	-179,180.93
Total owners’ equity	2,051,505,738.75	2,084,346,459.06	-32,840,720.31
Total liabilities and owners’ equity	3,654,556,336.06	3,685,981,109.03	-31,424,772.97

(2) The impact of the change of volume of work method to the input method for the percentage of completion method

The Group is engaged in the system integration construction business, the specific work includes system design, equipment procurement, technology implementation, engineering facilities, etc. The nature of work varies greatly. It is difficult to measure the percentage of volume of work for different projects and it is also difficult for the confirmation and measurement of the percentage of volume of work for each item of the same project. At the same time, some projects are more difficult to obtain the measurement of volume of work from the owners or third party, and some project owners or third parties will delay the confirmation of volume of work, resulting in revenue recognized by the Group for completion of work confirmed in accordance with “the volume of work method (also meet the requirements to obtain reliable external evidence to support the completion progress)” does not truly reflect the Group’s operating results. Due to the above factors, the Group has changed the volume of work method to the input method for the percentage of completion method in the revenue recognition. The impact of the change of percentage of completion method on the financial statements for the years 2016 and 2017 are as follows:

Impact on the 2016 consolidated financial statements of the Group:

Items	Current listed amount	Original listed amount	Difference
Accounts receivable	757,345,498.16	526,069,368.54	231,276,129.62
Inventories	366,587,423.41	614,699,178.91	-248,111,755.50
Deferred income tax assets	30,325,463.82	28,391,637.47	1,933,826.35
Taxes payable	37,049,106.18	37,640,623.70	-591,517.52
Surplus reserves	77,954,450.56	77,443,332.15	511,118.41
Undistributed profits	908,730,871.98	923,552,272.40	-14,821,400.42
Operating incomes	1,483,379,149.40	1,569,750,558.83	-86,371,409.43
Operating cost	1,089,083,492.24	1,164,041,866.56	-74,958,374.32
Asset impairment losses	40,622,957.98	34,154,325.67	6,468,632.31
Income tax expenses	33,233,790.19	35,916,040.30	-2,682,250.11
Net profit	178,817,980.31	194,017,397.62	-15,199,417.31

Impact on the 2017 consolidated financial statements of the Group:

Items	Current listed amount	Original listed amount	Difference
Accounts receivable	681,350,608.61	589,865,277.78	91,485,330.83
Inventories	950,376,110.40	1,042,819,367.79	-92,443,257.39
Deferred income tax assets	34,054,177.63	32,303,033.76	1,751,143.87
Advances from customers	117,243,847.70	116,843,058.33	400,789.37
Taxes payable	46,577,774.22	45,030,437.72	1,547,336.50
Surplus reserves	84,701,819.19	84,326,994.53	374,824.66
Undistributed profits	1,076,559,118.85	1,078,088,852.07	-1,529,733.22
Operating incomes	1,716,862,749.61	1,672,987,895.57	43,874,854.04
Operating cost	1,254,829,906.97	1,225,214,079.72	29,615,827.25
Asset impairment losses	30,158,694.66	31,376,577.82	-1,217,883.16
Income tax expenses	45,248,963.45	42,927,426.95	2,321,536.50
Net profit	217,092,231.45	203,936,858.00	13,155,373.45

(II) Change in major accounting estimates

There were no changes in major accounting estimates for this period.

3. TRADE AND OTHER RECEIVABLES

	2018	2017
Accounts receivable	956,108,356.74	785,416,430.16
Less: Provision for doubtful and bad debts for accounts receivables	118,968,989.14	104,065,821.55
Notes receivable	259,450,275.36	16,708,270.20
Prepayments	424,735,769.16	66,721,485.56
Other receivables	357,591,064.98	505,235,756.92
Less: Provision for doubtful and bad debts for other receivables	36,003,580.62	20,344,543.59
Interest receivable	4,911,486.42	—
Total	<u>1,847,824,382.90</u>	<u>1,249,671,577.70</u>

The aging analysis of accounts receivable

Types	2018		2017	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Within 1 year (including one year)	753,089,331.43	42,674,524.60	459,299,355.65	13,827,178.43
1 to 2 years	101,348,947.18	8,107,915.77	203,068,841.14	16,245,507.30
2 to 3 years	47,833,613.39	14,350,084.03	70,078,710.79	21,023,613.24
Over 3 years	53,836,464.74	53,836,464.74	52,969,522.58	52,969,522.58
Total	<u>956,108,356.74</u>	<u>118,968,989.14</u>	<u>785,416,430.16</u>	<u>104,065,821.55</u>

4. TRADE AND OTHER PAYABLES

Items	2018	2017
Accounts payable	1,068,563,578.78	884,708,041.68
Notes payable	28,756,738.41	30,056,123.84
Advances from customers	—	117,243,847.70
Other payables	63,775,516.04	31,500,358.26
Interest payable	2,411,771.11	675,962.63
Dividend payable	—	6,688,575.00
Contract liabilities	92,499,959.57	—
Total	<u>1,256,007,563.91</u>	<u>1,070,872,909.11</u>

Aging analysis of accounts payables

	2018	2017
Within 1 year	744,463,292.98	605,337,158.32
1 to 2 years	179,281,440.45	147,055,481.98
Over 2 years	144,818,845.35	132,315,401.38
Total	<u>1,068,563,578.78</u>	<u>884,708,041.68</u>

5. UNDISTRIBUTED PROFITS

	2018	2017
Undistributed profit at the beginning of the year	1,076,559,118.85	908,730,871.98
Change of accounting standards	-32,766,303.85	-
Add: Net profit attributable to shareholders of the company for the current period	195,992,114.49	222,099,125.50
Less: Provision of statutory surplus reserves	11,409,119.05	6,747,368.63
Less: Ordinary shares dividends payable	79,205,850.00	47,523,510.00
Less: Undistributed profit converted into share capital	158,411,700.00	-
Undistributed profit at the end of the period	<u>990,758,260.44</u>	<u>1,076,559,118.85</u>

The distribution of dividend on ordinary shares to shareholders of the Company was made according to the profit distribution plan for 2017 approved at the annual general meeting of the Company held on 29 June 2018, namely a cash dividend of RMB0.25 per share to each shareholder, totaling RMB79,205,850 for 2017, as calculated based on the Company's total issued share of 316,823,400 at the record date. The actual distributed cash amounted to RMB85,894,425 (including the amount payable this year and the those not distributed for the previous year).

6. TOTAL OPERATING INCOME

Operating income represents the Group's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales, service, cross-border trade and service businesses.

(1) Operating income and operating cost

Items	2018	2017
Principal operating income	1,816,062,084.24	1,694,521,795.59
Other operating income	18,425,517.71	22,340,954.02
Total operating income	<u>1,834,487,601.95</u>	<u>1,716,862,749.61</u>
Principal operating cost	1,316,616,718.94	1,252,512,225.85
Other operating cost	1,822,655.81	2,317,681.12
Total operating cost	<u>1,318,439,374.75</u>	<u>1,254,829,906.97</u>

(2) Principal operations (by product)

Name of Products	2018		2017	
	Operating income	Operating cost	Operating income	Operating cost
System integration	952,694,796.64	692,242,932.99	1,056,025,469.87	777,066,339.83
Intelligent terminal sales	672,386,173.60	568,724,504.26	332,185,003.77	261,136,667.25
Service	190,981,114.00	55,649,281.69	146,985,107.19	67,456,585.41
Cross-border trade and service	–	–	159,326,214.76	146,852,633.36
Total	<u>1,816,062,084.24</u>	<u>1,316,616,718.94</u>	<u>1,694,521,795.59</u>	<u>1,252,512,225.85</u>

7. SEGMENTS INFORMATION

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales, service, cross-border trade and service businesses. In addition, the Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

8. GROSS PROFIT

	2018	2017
Operating income	1,834,487,601.95	1,716,862,749.61
Operating cost	<u>1,318,439,374.75</u>	<u>1,254,829,906.97</u>
Gross profit	<u>516,048,227.20</u>	<u>462,032,842.64</u>

9. FINANCIAL EXPENSES

Items	2018	2017
Interest expenses	56,776,087.83	30,003,744.20
Discounted expenditure	1,991,533.33	–
Less: interest income	8,097,068.42	6,114,866.26
Exchange gain and loss	1,142,886.01	-1,499,415.30
Others	<u>6,178,057.46</u>	<u>1,237,972.32</u>
Total	<u>57,991,496.21</u>	<u>23,627,434.96</u>

Notes: Interest expenses are interest on bank borrowings wholly repayable within five years.

10. INCOME TAX EXPENSES

Items	2018	2017
Current income tax	43,154,259.99	48,775,170.28
Deferred income tax	<u>-6,212,019.69</u>	<u>-3,526,206.83</u>
Total	<u>36,942,240.30</u>	<u>45,248,963.45</u>

Reconciliation between total profit and income tax expenses is as follows:

Item	2018	2017
Total profit	<u>229,638,458.99</u>	<u>262,341,194.90</u>
Income tax expenses calculated at statutory tax rates or applicable tax rates	34,445,768.85	39,351,179.24
Effect of different tax rates applicable to subsidiaries	-2,367,293.06	-2,278,370.01
Income tax adjustments on prior periods	688,921.51	-443,059.26
Additional deduction for qualified research and development expenses	-662,697.45	-357,158.89
Effect of non-taxable income	-	-11,843.87
Expenses, costs and losses not deductible for tax purposes	1,794,240.50	817,137.49
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-800,162.05	-73,366.46
Impact of deductible temporary differences or deductible loss for which deferred income tax assets not recognized	<u>3,843,462.00</u>	<u>8,244,445.21</u>
Income tax expenses	<u><u>36,942,240.30</u></u>	<u><u>45,248,963.45</u></u>

11. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by consolidated net profit for the current year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding:

Items	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company	195,992,114.49	222,099,125.50
Weighted average number of ordinary shares outstanding of the Company	792,058,500.00	792,058,500.00
Basic earnings per share (yuan/share)	<u><u>0.25</u></u>	<u><u>0.28</u></u>

The amount of basic earnings per share is the same as the diluted earnings per share as there was no dilution during the years ended 31 December 2018 and 2017.

Note: During the reporting period, based on the total share capital of 316,823,400 shares at the end of 2017, the Company increased 316,823,400 shares by way of capitalization of capital reserve on the basis of 10 capitalization shares for every 10 shares and issued 158,411,700 shares from the undistributed profits on the basis of 5 bonus shares for every 10 shares. The total share capital of the Company upon completion of such increase was 792,058,500 shares. The Company's basic earnings per share and diluted earnings per share for 2017 calculated based on the number of shares in the previous period were RMB0.701 and RMB0.701, respectively and the basic earnings per share and diluted earnings per share for the previous period recalculated based on the number of shares upon changes were RMB0.28 and RMB0.28, respectively.

The calculation of the weighted average number of ordinary shares:

Items	2018	2017
Ordinary shares issued at the beginning of the year	316,823,400.00	316,823,400.00
Add: Weighted average number of ordinary shares issued during the current period	475,235,100.00	–
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
	<hr/>	<hr/>
Weighted average number of ordinary shares issued at the end of the period	<u>792,058,500.00</u>	<u>316,823,400.00</u>

12. DIVIDENDS

Items	2018	2017
Final dividend proposed of RMB0.1 per share (2017: RMB0.25 per share)	<u>79,205,850.00</u>	<u>79,205,850.00</u>

The directors recommend the payment of final dividend of RMB79,205,850 at RMB0.1 per share (2017: RMB0.25 per share) for the year ended 31 December 2018 on 29 March 2019.

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period and is subject to approval by the shareholders at the annual general meeting.

Items	2018	2017
Final dividend in respect of the previous year approved during the year	79,205,850.00	47,523,510.00
Final dividend in respect of the previous year paid during the year	85,894,425.00	40,834,935.00
Final dividend in respect of the previous year unpaid during the year	–	6,688,575.00
	<hr/>	<hr/>

13. NET CURRENT ASSETS

	2018	2017
Current assets	3,656,893,115.15	3,003,436,219.15
Less: current liabilities	<u>2,212,332,553.41</u>	<u>1,486,564,544.92</u>
Net current assets	<u><u>1,444,560,561.74</u></u>	<u><u>1,516,871,674.23</u></u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2018	2017
Total assets	4,811,691,619.32	3,685,981,109.03
Less: current liabilities	<u>2,212,332,553.41</u>	<u>1,486,564,544.92</u>
Total assets less current liabilities	<u><u>2,599,359,065.91</u></u>	<u><u>2,199,416,564.11</u></u>

15. CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

16. POST BALANCE SHEET EVENTS

(1) Profit Distribution Plan

On 29 March 2019, the Board proposed to distribute a final dividend of RMB79,205,850 for the year ended 31 December 2018, i.e. RMB0.1 per share (2017: RMB0.25 per share).

(2) Save as the above post balance sheet event, as of the reporting date, there is no other significant post balance sheet events of the Company which needs to be disclosed but has not been disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2018 was approximately RMB1,834,487,601.95, representing an increase of approximately 6.85% over last year. The increase was mainly due to the growth of income from the intelligent terminal sales business as compared to that of last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2018 was approximately 28.13%, representing an increase of approximately 1.22% over last year.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2018 was approximately RMB41,886,685.67, representing a decrease of approximately 4.78% over last year. The decrease was mainly attributable to the efforts devoted in self-media promotion which reduced the business promotion expenses to a certain extent.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2018 was approximately RMB63,670,452.74, representing an increase of approximately 11.32% over last year. The increase was mainly attributable to the increase of the remuneration for the relevant management staff during the Review Period.

Net Profit Attributable to Shareholders of the Parent Company

For the year ended 31 December 2018, the Group recorded a net profit attributable to the shareholders of the parent company of approximately RMB195,992,114.49, representing a decrease of 11.75% over last year. The decrease was mainly attributable to the increase in research and development investment during the Review Period and there was an investment income from the disposal of 82.61% equity interest in Jiangsu Cross-border E-Commerce Services Co., Ltd. in 2017.

Other Current Assets

As at 31 December 2018, the Group's other current assets were RMB31,831,942.89, representing a decrease of 20.95% as compared with that of the same period last year. The decrease was mainly due to the decrease in the deductible and pending for verification input tax of the Company for the Review Period as compared with that of the same period last year.

Other Non-current Assets

As at 31 December 2018, the Group's other non-current assets was significantly increased from that of last year to RMB74,825,893.61. The increase was mainly due to the Company's prepayment of RMB62,900,000 for equity investments in Hong Kang Life Insurance Co., Ltd..

Available-for-Sale Financial Assets

As at 31 December 2018, the Group's available-for-sale financial assets amounted to zero, representing a decrease of 100% as compared with the same period of last year. The main reason was that the Company reclassified the investments in available-for-sale financial assets into other equity instrument investments and other non-current financial assets in accordance with the new accounting standards.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2018, the shareholders' equity of the Group was approximately RMB2,080,991,757.97. Current assets were approximately RMB3,656,893,115.15, comprising cash and bank balances of approximately RMB532,958,036.92. Non-current liabilities were approximately RMB518,367,307.94. Current liabilities were approximately RMB2,212,332,553.41, mainly comprising accounts payable and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2018, net assets per share of the Group was approximately RMB2.53 (31 December 2017: RMB6.16). The short-term borrowings of the Group were RMB639,300,000.00.

PLEDGE OF ASSETS

As at 31 December 2018, bank deposits of RMB36,413,835.27 were pledged to the bank for projects in progress (2017: RMB37,035,398.72).

GEARING RATIO

For the year ended 31 December 2018, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately 0.38 (2017: zero). This was mainly attributable to the increase of financing for market expansion by the Group.

FOREIGN CURRENCY EXPOSURE

Since the Group mainly conducts its business in the PRC and most of the sales and purchases of the Group were denominated in RMB, the Group's operating results were not exposed to any foreign currency risk.

Summary of key financial ratios

The following table sets forth the key financial ratios of the Group as of 31 December:

Key financial ratios	2019 ⁽⁷⁾	2018 ⁽⁸⁾
Net profit ratio (%) ⁽¹⁾	10.61%	12.81%
Return on net assets ratio (%) ⁽²⁾	9.26%	10.42%
Return on equity ratio (%) ⁽³⁾	9.26%	10.42%
Debt ratio (%) ⁽⁴⁾	56.75%	43.45%
Current ratio ⁽⁵⁾	1.65	2.02
Quick ratio ⁽⁶⁾	1.11	1.38

Note:

- (1) Net profit ratio refers to net profit divided by principle operating income
- (2) Return on net assets ratio refers to the net profit divided by net assets
- (3) Return on equity ratio refers to the net profit divided by shareholders' equity
- (4) Debt ratio refers to the total liabilities divided by total assets
- (5) Current ratio refers to total current assets divided by total current liabilities
- (6) Quick ratio refers to the formula for 2017 is the ratio of current assets less inventory divided by current liabilities. To maintain the same calibre, the formula for 2018 is the ratio of current assets less inventory and contract assets divided by current liabilities
- (7) The 2018 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2018
- (8) The 2017 financial ratio data is derived from the data of the audited consolidated financial statements as of 31 December 2017

Net profit ratio

During the reporting period, the Group's net profit margin decreased from 12.81% in the same period of the previous year to 10.61%. The decrease was mainly attributable to the increase in research and development investment during the Review Period and there was an investment income from the disposal of 82.61% equity interest in Jiangsu Cross-border E-Commerce Service Co., Ltd. in 2017.

Return on net assets ratio

During the reporting period, the Group's return on net assets decreased from 10.42% in the same period of the previous year to 9.26% which was mainly due to the decrease in profits during the reporting period.

Return on equity ratio

The Group's return on equity decreased from 10.42% in the same period of last year to 9.26% which was mainly due to the decrease in profits during the reporting period.

Debt ratio

The Group's debt ratio increased from 43.45% of last year to 56.75% which was due to the increase in interest-bearing debts at the end of the reporting period.

Current ratio

The Group's current ratio decreased from 2.02 of the same period last year to 1.65 which was mainly due to the extent of the increase in current liabilities during the reporting period was greater than the increase in current assets.

Quick ratio

The Group's quick ratio decreased from 1.38 of the same period last year to 1.11. The reason for the change in the quick ratio was same as the reason for the decrease in current ratio as abovementioned.

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

On 4 April 2018, the Company entered into a Limited Partnership Agreement, pursuant to which, the Company, as a limited partner, has agreed to make a capital contribution to the limited partnership of RMB50,000,000 (the “**Investment**”). As at the date of this announcement, the limited partnership has been registered in the Nanjing Administration for Market Regulation, but the partners have yet to make their contributions. Details of the Investment can be referred to the Company’s announcement dated 4 April 2018.

On 19 April 2018, the Company entered into the Share Subscription Agreement with Hong Kang Life Insurance Co., Ltd. (“**Hong Kang Life**”), pursuant to which the Company agreed to subscribe for not more than 34,000,000 shares (the “**Subscription**”) in Hong Kang Life at the price of RMB1.85 per share, for a total consideration of not more than RMB62,900,000. As at the date of this announcement, the Subscription is under the process of approval by relevant regulatory authorities (including CIRC). Details of the Subscription can be referred to the Company’s announcement dated 19 April 2018.

Save as disclosed above, the Group did not have any other material acquisition and disposal investment during the Review Period.

CAPITAL COMMITMENT

As at 31 December 2018, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, total employees’ remuneration of the Group was approximately RMB71,451,611.05 (2017: RMB63,012,940.37) and the number of employees was 384 (2017: 335). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW

Business development

In the expressway intelligent transportation business domain, the Group continued to consolidate and improve its existing business by refining the management of project implementation in all aspects and developing new projects. At the same time, it developed new business projects in all aspects by active participation in bidding major projects, proactive commencement of strategic cooperation within the industry, expanded the clientele of the industry, secured both the increases in business revenue and client satisfaction of the sector. During the period under review, the Group successfully signed project contracts such as the mechanical and electrical engineering project of the Wenchuan-Maerkang Expressway in Sichuan, modification of the whole-vehicle weight measuring equipment of the G15 Shenhai Expressway (Wenzhou section), the modification and extension of Hangzhou-Nanjing Expressway (Zhejiang section). The depth and width of our market resources in the expressway and intelligent transport sector have been enhanced significantly. During the period under review, the Group actively implemented various major projects, actively explored business opportunities to construct intelligent service areas along expressways and achieved breakthroughs in project management. We aimed at constantly enhancing our data service capability, actively exploring the application of big data analysis related to transportation in new areas and extending the intelligent transportation concept to every business segment.

In the city intelligent transport business domain, the Group strengthened its capability to fulfil its core mission of offering comprehensive solutions of city intelligent transportation. To this end, it continued to integrate elements such as data collection terminals for internet-of-things (IoT) and intelligent information management platforms, creating the basis for ecological transport services in the construction of intelligent cities. During the period under review, the Group actively advanced the implementation of projects such as the reconstruction and extension project and mechanical and electrical installation project of the north section of Xuyi of Line G235 and Raocheng Section of Xuyi of 331 Provincial Highway, and the electromechanical integration project of the second stage of the project of Tianfu New District Meishan Double Creation Center (Meishan Huawei Big Data Center). To support its user demand-oriented scheme, the Group conducted in-depth research on traffic model algorithms via both self-development and external cooperation. By forming two teams dedicated to the big data model and software development, the Group further enhanced its understanding of the transportation sector. Meanwhile, the Group endeavored to shift its core competence from project implementation to an ability to seize on industry demand, analyze big data, and actively extend the application of big data analysis to new business segments such as commercial vehicle.

In the customs logistic business domain, the Group undertook the logistic monitoring project for the delivery of imported soybean futures to provide green channel for the delivery of imported soybean futures. We use current mainstream advanced IoT technologies to track the data of the entire circulation process of imported soybean in China, draw up the physical path of the entire process and abnormal alarms for the circulation process. This enabled us to realise online automatic monitoring of the circulation of imported soybean, enhance monitoring efficiency, promote the activity and trading of soybean futures contract and timely and comprehensively respond to regulatory requirements of State authorities. During the period under review, the Group has put the innovative customs logistics project

the “Mobile Logistics 2.0”, an intelligent logistics system, into operation in the Nanjing Comprehensive Bonded Zone (Longtan Area), which solved congestion at the customs checkpoint, further improved logistics efficiency, enabled non-stop gate passing of vehicles at customs checkpoint during the whole logistics process and effectively improved the problem of vehicle accumulation at the customs checkpoint. During the period under review, the Group successfully completed the informatization of the Yingkou Comprehensive Bonded Zone PPP project, accessory facilities construction project for the opening of the port area at the harbour of Binzhou port, equipment purchase and installation for the information system of Xinyi bonded logistics center, equipment purchase and installation for Xuzhou Comprehensive Bonded Zone intelligent customs checkpoint system, and the construction of the universal customs checkpoint management platform of the Zhengzhou airport and tanker truck logistics monitoring system of Hongtu Logistics. At the same time, the Group developed and researched on software related to customs management system for enterprises’ books of account. The system speeds up the timeliness of customs clearing and logistics for processing, trading and import and export from other regions and ensures data accuracy and greatly enhances the efficiency for verification.

Research and development

During the period under review, the Group actively participated in the work of the national internet-of-things standard working group led by the China Electronics Standardization Institute of the Ministry of Industry and Information Technology. The Group led the formulation of a national standard “Internet-of-things Information Sharing Exchange Part 4: Data Interface” which is expected to be published officially in 2019. The three national standards the Group actively participated in the past several years, i.e. “Internet-of-things Information Sharing Exchange Part 1: Overall Structure”, “Internet-of-things Information Sharing Exchange Part 2: Universal Technical Requirements” and “Internet-of-things for Intelligent City Application Guide” were approved in 2018 for official publication which have been implemented on 1 January 2019, 1 January 2019 and will be implemented on 1 May 2019 respectively.

During the period under review, one provincial modern service industry (software) project and three municipal technology and emerging industry projects undertaken by the Group have been inspected and passed. The Group also actively promoted, built and implemented government projects including NDRC’s “Internet +”, Provincial Economic & Information Commission’s information and technology industrial transformation project and key e-commerce development project, the Provincial Intellectual Property Office’s strategic project for corporate intellectual property, and the Provincial high-value patent cultivation project.

During the period under review, the Group received the Second “Pan Gu Award” for outstanding innovative achievement of the China electronic information industry from China Information Technology Industry Federation, Information Development Award of State Gold Card Project (25 years) and 2018 Gold Ant Award (Innovation Exemplary Award) of State Gold Card Project from the State Gold Card Office. In addition, Mr. Zhu Xiang, Chief Executive Officer of the Company, was elected as 2018 Jiangsu Province Science and Technology Entrepreneur by the Organization Department of the CPC Jiangsu Provincial Committee. During the period under review, the Group attached great importance to the application and protection of intellectual property rights, filed new applications for 16 invention patents and 56 software copyrights, conducted 6 software products assessments, and was granted 1 invention patent and 1 utility model patent.

BUSINESS OUTLOOK

Future business development plan

In 2019, the Group will continue to focus on two core industries of intelligent transportation and intelligent logistics, centralize the resources of the Group, use information technologies such as the internet-of-things and “internet +” as its core to build the ecological system of an intelligent city, and promote innovation of the business model of the Company. Regarding the intelligent transportation domain, the Group will continue to consolidate the sourcing of goods over the internet-of-things and the “internet +” informationalization of management platform, and on top of which, to provide data service based on big data related to transportation. It will unceasingly improve municipal and communal service product lines and create total solutions. Regarding the intelligent logistics domain, the Group will continue to consolidate its own strength and increase market share, further increase its market share of the customs logistics business and lift the degree of satisfaction of customers by providing technical and resources support for share-participated companies and partners in an effort of further improving and consolidating the intelligent logistics ecology of Sample Technology.

At the end of 2018, the Group published the Sample Tech 2019 Development Strategy which stipulates to transform China’s conventional supply chain model with the latest technological means by giving full play to the Group’s technological advantages in the internet-of-things, internet +, big data and cloud computing, and the rich experience in implementation, operation and maintenance accumulated in previous projects. For the new strategy, it is decided that the Company will become a service provider in the new type of supply chain system of China with significant influence and a most important in-depth service provider for certain key commodities and specification. Under the layout of the new strategy, the Group will build the new intelligent supply chain platform for the era of the internet of everything, linking the supply-side and the demand-side, combining business flow, material flow, information flow and fund flow for collaboration and cooperation and enhancing the effectiveness of industrial supply chain with technology.

In 2019, the Group will adhere to the philosophy of “connection, development, sharing”, devote to technological innovation and promote industrial supply chain efficiency driven by technology, data and scenarios. Based on the “in custom, in warehouse, in transit, in factory, in use, in management” (“six ins” in brief) of goods to guide IoT scenario modification, enhance management effectiveness and obtain data so as to form linkages between the “six ins” with the corresponding scenarios and obtain dynamic and static data based on the scenarios. Dynamic and static data will also be generated through internet settlement based on transactions. With the support of core technologies such as big data and blockchain, new intelligent supply chain with closed loop flow, closed loop business, closed loop logistics, closed loop payment transaction and closed loop big data will be created by promoting participants of supply chains to become members of the chain alliances. Through the new intelligent supply chain platform of Sample Technology, users may select technological services with higher security, productivity, transparency of monitoring and convenience of trade and easier access of loan.

In 2019, the Group will collaborate with professional teams comprising top experts from the logistics, data, financial and risk management sectors to provide services across the entire supply chain such as customized and integrated digital intelligent production, intelligent warehousing, intelligent logistics,

active security, visible monitoring and intelligent customs clearing according to users' requirement. In the future, the Group intends to join hands with partners in the supply chain ecosystem to change the way of survival of small and medium enterprises and change the existing lagging response of the manufacturing industry through decentralized, customized and convenient means; and by providing diversified, personalized and customized services to users to help them maximise time efficiency and lower costs, which aims at fundamental strengthening of the industries and infrastructures and hastening the arrival of the fourth industrial revolution.

Research and Development strategies

In 2019, the Group will continue to rely on the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, carry out prospective and industrial common technology R&D related to the core industries, strengthen cooperation with relevant companies, universities and colleges and R&D institutes, consolidate the R&D strengths of all parties, focus on the needs for launching the “new supply chain” strategy of the Company, conduct R&D of new technologies and products; make planning on the intelligent city ecosystem of the Company, make good use of the industry status and influences of the national engineering centre, expand resource cooperation in the industries or related domains, and through cooperation with external parties, establish complementary advantages by uniting partners of the ecosystem; enhance the competitiveness of the products and services of the Company, raise the barrier of competition of the industries and protect the development strategies of the internet-of-things industry of the Company through core technologies, accumulation of intellectual property rights and upgrade and iteration of core products.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts have expired on 31 December 2018 and the further renewal of a term of 3 years shall be subject to the approval at the forthcoming annual general meeting of the Company.

Save as disclosed above, no Directors and Supervisors has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the rules governing the listing of securities on the Stock Exchange (the “Listing Rules”)) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has other conflicts of interests with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference. The primary duties of the audit committee are to supervise the financial reporting process, the internal control and risk management of the Company.

The audit committee comprises three independent non-executive Directors, namely Mr. Shum Shing Kei (the Chairman of the audit committee), Mr. Hu Hanhui and Mr. Gao Lihui. The audit committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s auditor, BDO China Shu Lun Pan Certified Public Accountants LLP, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by BDO China Shu Lun Pan Certified Public Accountants LLP in this regards did not constitute an assurance engagement in accordance with the Auditing Standards issued by the Ministry of Finance of the PRC and consequently no assurance has been given by BDO China Shu Lun Pan Certified Public Accountants LLP on the preliminary announcement of results.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN CONTRACTS

On 31 December 2018, the Company (as the lessor) and Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司) (“**Sample Group**”) (as the lessee) entered into the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease their lawfully owned properties to Sample Group and its associates (as defined under the Listing Rules) and Sample Group agreed to rent and procure the members of Sample Group and its associates to rent the lawfully owned properties of the Company.

Each of Mr. Sha Min, the chairman of the Board, an executive Director and a de facto controller of the Company, and Mr. Chang Yong, the vice chairman of the Board and an executive Director, are respectively interested in 60.40% and 38.96% of equity interest in Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司) which in turn owns the entire equity interest in Sample Group, a controlling shareholder of the Company. Therefore, each of Mr. Sha and Mr. Chang is considered to have a material interest in the above-mentioned transactions.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE CODE

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the financial statements, the Company did not commit any future plan for material investment or capital assets.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Final Dividend

The Board resolved to recommend to the shareholders (the “**Shareholders**”) of the Company at the forthcoming annual general meeting of the Company to be held on 27 May 2019 (“**2019 AGM**”) a final dividend of RMB0.10 per share to be paid on or about 27 August 2019 to those shareholders whose names appear on the register of members of the Company on 11 June 2019 (the “**Record Date**”).

Pursuant to the relevant tax rules and regulations of the People’s Republic of China (“**PRC**”), the tax obligation for the distribution of the final dividend will be based on the types of shareholders and the specific payment method and relevant tax law basis are listed as follows:

Type of Shareholders	Recipients	Type of Tax	Income Tax Rate	Payment Method	Laws
Domestic Share Shareholder	Resident enterprise	Tax Exemption	N/A	N/A	Enterprise Income Tax Law Article 26
	Non-resident enterprise	Corporate income tax	10%	Withhold and pay	Enterprise Income Tax Law Article 4, Article 27, Regulation on the Implementation of the Enterprise Income Tax Law Article 91
	Domestic Individual	Individual income tax	20%	Withhold and pay	Individual Income Tax Law Article 3; No. 127 [2016] of the Ministry of Finance
	Foreign Individual	Individual income tax	Tax Exemption	N/A	No. 20 [1994] of the Ministry of Finance Article 2(viii)
H Share Shareholder	Resident enterprise	Conditional tax exemption (self-declared for dividends received from holdings of less than 12 months)	Applicable income tax rate of resident enterprise	Self-pay	Enterprise Income Tax Law Article 26, Regulation on the Implementation of the Enterprise Income Tax Law Article 83
	Non-resident enterprise	Corporate income tax	10%	Withhold and pay	No. 897 [2008] of the State Administration of Taxation
	Domestic Individual	Individual income tax	20%	Withhold and pay	Individual Income Tax Law Article 3; No. 127 [2016] of the Ministry of Finance
	Foreign Individual	Tax Exemption	N/A	N/A	No. 20 [1994] of the Ministry of Finance

Note: Any H shares registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. On the basis, corporate income tax shall be withheld from dividends payable to such shareholder(s).

Investors should read this announcement carefully. The Company will withhold for payment the corporate profit tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the H share register of members on the Record Date. Nanjing Sample Technology Company Limited will owe no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2019 AGM, the register of members of the Company will be closed from 27 April 2019 to 27 May 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 April 2019.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 4 June 2019 to 11 June 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 3 June 2019.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.sampletech.com.cn> in due course.

By Order of the Board
Nanjing Sample Technology Company Limited*
Sha Min
Chairman

Nanjing, the PRC
29 March 2019

As at the date hereof, the executive Directors are Mr. Sha Min (Chairman), Mr. Chang Yong, Mr. Zhu Xiang, the non-executive Director is Mr. Ma Jun; and the independent non-executive Directors are Mr. Hu Hanhui, Mr. Gao Lihui and Mr. Shum Shing Kei.

* For identification purpose only